

# Report to Audit Committee

**Agenda  
Item:**

A.5

Meeting Date: 8 July 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Not applicable  
 Within Policy and  
 Budget Framework YES  
 Public / Private Public

Title: Internal Audit Report – Housing Benefits (Including Revenue Recovery)  
 Report of: CORPORATE DIRECTOR FINANCE & RESOURCES  
 Report Number: RD23/21

## **Purpose / Summary:**

This report supplements the report considered on Internal Audit Progress 2020/21 and considers the main financial system review of Housing Benefits (Including Revenue Recovery).

## **Recommendations:**

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

## **Tracking**

Audit Committee:	<b>8 July 2021</b>
Scrutiny Panel:	<b>Not applicable</b>
Council:	<b>Not applicable</b>

## **1. BACKGROUND INFORMATION**

- 1.1 A main financial system audit of Housing Benefits (including revenue recovery) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2020/21. The audit (**Appendix A**) provides reasonable assurances and includes 11 recommendations (1 high graded).

## **2. RISKS**

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

## **3. CONSULTATION**

- 3.1 Not applicable

## **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Committee is asked to

- i) receive the final audit report as outlined in paragraph 1.1;

## **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

**Contact Officer:**

**Michael Roper**

**Ext: 7280**

**Appendices**

**Internal Audit Report – Housing  
Benefits (Including Revenue  
Recovery) – Appendix A**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- None

## **CORPORATE IMPLICATIONS/RISKS:**

**Legal** – In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement.

**Finance** – Contained within the report

**Equality** – None

**Information Governance** – None

# **Audit of Housing Benefits and Overpayment Recovery**

**Draft Report Issued: 12<sup>th</sup> April 2021**

**Director Draft Issued: 18<sup>th</sup> May 2021**

**Final Report Issued: 15<sup>th</sup> June 2021**



## Audit Report Distribution

<b>Client Lead:</b>	Revenues and Benefits Operations Manager Benefits Team Leader Recovery Team Leader Quality Assurance Officer
<b>Chief Officer:</b>	Corporate Director Finance and Resources Chief Executive
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 8 <sup>th</sup> July 2021 will receive a copy of this report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.*

## 1.0 Background

- 1.1. This report summarises the findings from the audit of Housing Benefits and Overpayments. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30<sup>th</sup> July 2020.
- 1.2 The Carlisle City Council financial procedure rules require that all claims for housing benefit must be examined in accordance with Government regulations. The primary legislation governing Housing Benefit is the Social Security Contributions and Benefits Act 1992. Operationally, the governing regulations are statutory instruments arising from that act. They are the Housing Benefit Regulations 2006, and the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006. Universal Credit is legislated for in the Welfare Reform Act 2012, and the statutory instruments arising from that act.
- 1.3 In November 2020 the Revenues & Benefits Service transferred from the Corporate Support directorate to Finance & Resources as part of a wider restructure of Council services.

## 2.0 Audit Approach

### Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

### Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Revenues and Benefits Operations Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
  - Failure to achieve business objectives due to insufficient governance
  - Failure to adhere to Government Regulations
  - Inaccurate payments due to errors
  - Fraudulent claims undetected
  - Records Management – Fines and reputational damage resulting from loss/ theft of sensitive personal information
  - System failures resulting in loss of information and loss of access to process claims
  - Failure to recover Housing Benefit overclaims efficiently and effectively

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Housing Benefits and Overpayments provide **Reasonable assurance**.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	5
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	1	1
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)	-	1
4. <b>Security</b> - safeguarding of assets (see section 5.4)	-	1
5. <b>Value</b> – effectiveness and efficiency of operations and programmes (see section 5.5)	-	2
<b>Total Number of Recommendations</b>	<b>1</b>	<b>10</b>

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

#### 4.3 Findings Summary (good practice / areas for improvement):

The Revenues and Benefits service is split into three key areas: Benefits including the assessment of housing benefit claims, Revenues including the overpayment recovery of housing benefits, and the Systems Support Team providing systems support for housing benefit under a service level agreement for Carlisle, Allerdale and Copeland District Councils.

The audit was focused on the process of housing benefit assessment, and the overpayment recovery of housing benefit.

Since the first COVID lockdown in March 2020, the Revenues and Benefits service has faced increased pressures such as the test and trace payments support scheme (supporting people with financial loss for COVID 19 who are forced to isolate), business grants, and has had to adapt quickly to agile working arrangements, ensuring continuity of service.

The Department for Works and Pensions (DWP) continues the roll-out of Universal Credit (UC) to replace Housing Benefits. Universal Credit went live in 2018 in Carlisle, but the service still has to administer ongoing HB cases until those people have a legitimate change that moves them to UC, or the government decide that they want to move everyone from HB to UC, but that has not been determined yet.

The audit found that there were good working practices in place including a comprehensive quality assurance process, ensuring that individual officers process claims accurately and efficiently. Performance of Assessment Officers is reported quarterly to the Executive, and monthly to Revenues and Benefits management. Technical training needs are delivered internally by the Quality Assurance Officer.

There is a single high-grade recommendation because Audit were not able to confirm if debt write offs are regularly reviewed by management, prior to being sent to the Corporate Director Finance and Resources for authorisation in line with financial regulations.

Other opportunities for further improvement were also identified. The Risk Based Verification policy, which reduces the need to check evidence for some claims and enables the team to focus on claims flagged as less likely to be accurate and/ or potentially fraudulent, has been agreed and published, but requires review to further align with current practice.

Overpayment Recovery internal procedure documents would benefit from regular review and update with consideration given to DWP good practice guidance. A collection and recovery policy has been drafted, but not finalised and published.

**Comment from the Corporate Director Finance and Resources:**

A useful Audit review providing a reasonable assurance which complements the work undertaken by Mazars on the HB Subsidy Claim. There are several recommendations which have all been accepted by Management; and the high graded recommendation will be implemented during the next quarterly review of outstanding debt.

The housing benefit assessment work delivers in excess of £21million in financial support to eligible claimants, and it is pleasing that this important and significant service is deemed to be working effectively and delivering a good and reasonable service to the public.



## 5.0 Audit Findings & Recommendations

### 5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The Revenues and Benefits team structure is in place and supported by job descriptions. Most job descriptions are current, but some would benefit from review to ensure they remain accurate. For example, the job descriptions for Benefits Team Leader and Senior Appeals Officer were last reviewed in April 2014. The Quality Assurance Officer reports directly to the Revenues and Benefits Operations Manager, although the relevant job description details that the role is responsible to Benefits Team Leaders. It is advised that job descriptions are reviewed if there is a major change to content, or they have not been reviewed for more than five years.
- 5.1.2** The corporate service planning cycle did not take place for 2020/21 due to the first COVID-19 lock down in March 2020. The last available service plan for Revenues and Benefits was dated 2019/20. It is advised that the Revenues and Benefits service plan for 2021/22 is finalised with clear objectives for assessments and overpayment recovery.
- 5.1.3** Operational risks are recorded and reviewed by the Revenues and Benefits Operational Team Manager every three months in line with the corporate risk management framework. The operational risk management arrangements in place could be enhanced with regular formal review by the wider Revenues and Benefits management team. General failure of ICT systems is considered as part of the operational risk. It is advised that where ICT risks are not mitigated by the corporate ICT service, the operational risk register should detail which specific ICT risks are being considered, with clear mitigating actions documented for each of those specific risks.

#### **Recommendation 1 – Operational risk management arrangements to include regular consultation with wider stakeholders.**

- 5.1.4** Corporate performance is reported quarterly to the Executive for the average number of working days to process new benefit claims and the average number of working days taken to process benefit claimants' change in personal circumstances. Regular, individual performance reports are also collated monthly for Management, detailing the process accuracy of claims.
- 5.1.5** Suitable guidance is in place for Assessment staff, both in hard copy and electronically, enabling housing benefit claims to be processed accurately. Procedure notes are in place for the Quality Assessment Officer, but they would benefit from regular review and update. A suite of documented procedure notes, general standards, training notes and guidance manuals is in place for Overpayment Recovery staff. These guidance documents would

also benefit from regular review and update. The DWP publish relevant good practice guidance for Local Authorities to consider when documenting service procedures.

**Recommendation 2 – Guidance documents to be regularly reviewed and updated with consideration given to DWP good practice.**

- 5.1.6** The Revenues and Benefits Operational Manager holds regular informal meetings with individual managers on a weekly basis. Since the first COVID lockdown in March 2020, formal monthly management meetings have not been recorded. Documented assigned actions, and the subsequent conclusion to those actions would benefit from further clarity in the action notes.

**Recommendation 3 – Regular Management meetings to be clearly recorded, and conclude previous actions raised.**

- 5.1.7** Corporate appraisal guidance details that appraisals give individuals, teams, and their manager an opportunity to review performance, agree future objectives and to determine learning and development requirements which will help to achieve those objectives. Revenues and Benefits staff performance is not regularly assessed using the corporate appraisal process. Internal Audit are planning to work with Organisational Development to ensure appropriate action is taken corporately to ensure appraisals are both complete and timely.

- 5.1.8** Regular financial monitoring is in place with no reported issues.

- 5.1.9** Audit were informed that Assessment staff training needs are identified and delivered internally by the Quality Assurance Officer, and that Overpayment Recovery staff training needs are identified and delivered by the Recovery Team Leader. External training has also been provided to staff on occasion, although this has not taken place for some time. The service does not have a documented record of training assessment for all staff, fully demonstrating regular assessment of technical and softer skill requirements.

**Recommendation 4 – Staff training requirements to be regularly assessed with outcomes recorded.**

- 5.1.10** Management have drafted a Collection and Recovery Policy which sets clear objectives for staff to follow, and includes links to other relevant corporate policies, such as anti-poverty. The policy is still to be finalised.

**Recommendation 5 - Collection and Recovery Policy to be finalised and published.**

**5.1.11** The Overpayment Recovery Team is small and if a key member of staff is off sick/ leaves at short notice, this could adversely affect performance. It is advised that Management regularly review the arrangements in place for trained, alternative staff to cover work of absent colleagues, ensuring business continuity.

## **5.2 Regulatory – compliance with laws, regulations, policies, procedures, and contracts**

**5.2.1** The Revenues and Benefits Operations Manager is a full member of the Institute of Revenues Rating and Valuation. IRRV forum alerts and newsletters received are regularly circulated to the management team.

Suitable testing has been carried out by external Accountants as part of the Housing Benefit Assurance Process (HBAP) for the Authority's claim for Housing Benefit subsidy. The report for the claim year ending 31<sup>st</sup> March 2020 was provided on 22<sup>nd</sup> January 2021 and management have agreed the recommendations. A report to Audit Committee on 20<sup>th</sup> May 2021 recommends that the contents of the Housing Benefit Subsidy Report for 2019/20 are noted.

**5.2.2** Management are kept informed of any changes to legislation through provision of regular circulars from the Department of Work and Pensions (DWP).

**5.2.3** The introduction of Universal Credit continues to be monitored by the service.

**5.2.4** The Service Level Agreement with the Authority's collection agent was due to be reviewed on 31<sup>st</sup> March 2019, but not yet been undertaken. Future debt collection arrangements are under review and may now be going out to tender. Documented procedure notes for 'Referring a debt to a collection agency', detail that monthly referrals will be made to the agent. Evidence of only two referrals was available in 2019. The Service Level Agreement details that review meetings will take place with the debt collection agent. Management informed us that although quarterly review meetings take place, they have been suspended due to the Pandemic and are not formally documented.

**Recommendation 6 – Update the current arrangements in place with the Authority's collection agent**

**5.2.5** The Authority's Financial Procedures detail that write-off of debts should be authorised by the Corporate Director Finance and Resources. Authorisation of debts written off between January and March 2020 and October and December 2020 was provided by management electronically in the form of a cut and paste signature on an excel sheet, although authorisation of debts written off between April and September 2020 had not been retained. Debts initiated by Recovery Officers are not subject to management review prior to being sent to the Corporate Director Finance and Resources for authorisation.

**Recommendation 7 – Debts to be formally reviewed by management prior to authorisation. Documentary evidence of authorisation by Corporate Director to be retained.**

### **5.3 Information – reliability and integrity of financial and operational information**

**5.3.1** Electronic information is retained within Academy. The previous audit identified no archiving facility was available within Academy, but that the system owners were working on a GDPR compliant archiving tool.

**5.3.2** This tool has now been provided but has currently not been tested or implemented by the Council due to time constraints.

**Recommendation 8 - The Systems Support Team should apply the archiving tool provided to the Academy system to ensure historic records no longer required are deleted on a timely basis.**

### **5.4 Security – Safeguarding of Assets**

**5.4.1** Revenues and Benefits staff are subject to a one-off basic disclosure barring service check on employment, in line with corporate requirements.

**5.4.2** Staff also complete regular declarations of interest in relation to friends and family that may be service users to ensure they do not process claims where there is a potential conflict of interest. Documentation is held in paper copy at the Civic Centre (held securely), so it was not possible to view during the audit. Internal Audit will verify documentation once staff have returned to the Civic Centre. It is advised that consideration is given to ensuring these documents are held electronically to improve access.

**5.4.3** Under normal circumstances, Revenues and Benefits staff receive annual fraud refresher training from DWP. The latest session was held on 23<sup>rd</sup> February 2021.

- 5.4.4** The National Fraud Initiative exercise is undertaken every two years to investigate data matches between government organisations, and fraudulent activity. The latest exercise for 2020/21 is in progress.
- 5.4.5** The real-time data initiative is in place and is used to match Housing Benefit data held by the authority with PAYE data held by HMRC. The DWP provide alerts based on the data matching exercise, informing the authority of potential fraud and error. The DWP used to provide the Authority with a report on the outcomes as a percentage of alerts to the authority. The last report related to the authority's performance in Q1 2019/20.
- 5.4.6** When the Revenues and Benefits team suspect fraudulent activity, a referral is made to the DWP fraud team. Progress on referrals is not currently provided by DWP.
- 5.4.7** Management informed Audit that they have no control or influence over DWP activities, although bi-monthly/quarterly telephone calls are made with the DWP Liaison Lead. It is advised that management continue to seek updates from the DWP lead on when the regular provision of fraud referral updates and performance information will be resumed.
- 5.4.8** Assessment Officers and the QA Officer access personal information on DWP benefits through Searchlight Software. The DWP regularly carry out test checks with the Authority, to verify the reasons why sensitive documents have been accessed.
- 5.4.9** The Revenues and Benefits office can only be accessed by using a key fob, and management informed Audit that under normal circumstances, access is subject to review every six months with the Facilities Manager. The most recent review of access was undertaken in February 2021, although the previous review was undertaken prior to the first COVID lockdown in March 2020.

**Recommendation 9 – Management to review access to Revenues and Benefits Office on a regular basis with the Facilities Manager.**

- 5.4.10** Access to Revenues and Benefits Academy software is managed appropriately by the Systems Support Team and reviewed on a regular basis. System data is backed up daily.

## 5.5 Value – effectiveness and efficiency of operations and programmes

- 5.5.1** A suitable Quality Assurance (QA) Officer post in place for the Housing Benefits Service. The QA Officer reports directly to the Revs and Bens Operations Manager, maintaining segregation of duty in the reporting structure from other managers and staff. The QA officer does on occasion process claims during busy periods. It is advised that management consider whether segregation of duties should be fully observed between the work of Assessment Officers and the QA Officer, and if any assessments carried out by the QA Officer should be quality checked.
- 5.5.2** Appropriate and consistent checks are carried out on Assessment Officer processing, increasing the accuracy and efficiency of Housing Benefit Claims.
- 5.5.3** The Risk Based Verification (RBV) policy, which reduces the need to check evidence for some claims and enabling the team to focus on claims flagged as less likely to be accurate and/ or potentially fraudulent, was agreed by the Audit Committee on 17<sup>th</sup> July 2017. Current RBV risk classification practices are not wholly aligned to the policy.

**Recommendation 10 – Management to implement the RBV policy or review and amend the policy to align with current practice.**

- 5.5.4** Management are regularly updated on outstanding debt, debt written-off and debt recovered, along with comparisons to prior year data.
- 5.5.5** Key Overpayment Recovery staff identified that letters to debtors would benefit from review to improve the clarity of information provided; and that letters are sometimes raised to the incorrect address, increasing administration time and risk of data protection breaches. It is advised that management liaise with wider Overpayment Recovery staff that raised the concerns, to consider how changes to the administration processes highlighted may add further value to the service.
- 5.5.6** Overpayment Recovery staff are set a broad team aim to recover more than the previous collection year in percentage terms. Although this broad aim is in place, staff are not set clear recovery targets, with performance measured against those targets to demonstrate that all stages of the recovery process (prompt notifications, reminders, further recovery action to be taken) are actioned efficiently and effectively.

**Recommendation 11 – Clear recovery targets to be set for Overpayment Recovery staff in line with DWP good practice guidance.**

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Operational risk management arrangements to include regular consultation with wider stakeholders.	M	Key stakeholders have not been consulted on operational risks.	Wider consultation to be applied to Risk Register quarterly reviews	Revenues and Benefits Operations Manager	31 <sup>st</sup> October 2021
Recommendation 2 – Guidance documents to be regularly reviewed and updated with consideration given to DWP good practice.	M	Content of key documents not current or align to DWP good practice guidance.	Documentation to be reviewed in accordance with DWP circulars and relevant good practice guidance	Revenues and Benefits Operations Manager	31 <sup>st</sup> December 2021
Recommendation 3 – Regular Management meetings to be clearly recorded, and conclude previous actions raised.	M	Management decision making process lacks transparency.  Staff are not kept regularly informed.	Regular management meetings to resume with actions to be captured and documented.	Revenues and Benefits Operations Manager	30 <sup>th</sup> June 2021
Recommendation 4 – Staff training requirements to be regularly assessed with outcomes recorded.	M	Staff are not fully trained to carry out their role.	All staff training requirements to be captured and documented.	Revenues and Benefits Operations Manager	31 <sup>st</sup> January 2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 5 - Collection and Recovery Policy to be finalised and published.	M	Service priorities are unclear to staff.	Documentation to be reviewed and formally approved for publication.	Recovery Team Leader	31 <sup>st</sup> December 2021
Recommendation 6 – Update the current arrangements in place with the Authority's collection agent.	M	Level of service of Collection Agent is not formally agreed and falls below expectations.	Agreement to be reviewed with monitoring arrangements and information reviews to be re-instated.	Recovery Team Leader	30 <sup>th</sup> September 2021
Recommendation 7 – Debts to be formally reviewed by management prior to authorisation. Documentary evidence of authorisation by Corporate Director to be retained.	H	Clear segregation of duties is not maintained.  Debts are not written off in line with the Financial Regulations.	Authorisation process and approval by Recovery Team Leader to be documented.	Recovery Team Leader	31 <sup>st</sup> October 2021



Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 8 - The Systems Support Team should apply the archiving tool provided to the Academy system to ensure historic records no longer required are deleted on a timely basis.	M	Authority may not be fully compliant with UK GDPR	Archiving processes to be commenced and appropriate records removed.	Systems Support and Control Manager	31 <sup>st</sup> March 2022
Recommendation 9 – Management to review access to Revenues and Benefits Office on a regular basis with the Facilities Manager.	M	Inappropriate access gained to the Revenues and Benefits Office.	Periodic access reviews to continue bi-annually and user approved reports to be retained	Revenues and Benefits Operations Manager	31 <sup>st</sup> July 2021
Recommendation 10 – Management to implement the RBV policy, or review and amend the policy to align with current practice.	M	Evidence gathering processes are inefficient.	Policy to be reviewed to align with operational practice, including the monitoring of risk categories assigned.	Revenues and Benefits Operations Manager	31 <sup>st</sup> October 2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 11 – Clear recovery targets to be set for Overpayment Recovery staff in line with DWP good practice guidance.	M	Overpayment recovery is not efficient and effective	Target performance to be determined, based on previous years collection performance.	Recovery Team Leader	31 <sup>st</sup> October 2021

## Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<b>Limited/None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix C

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).